

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

January 26, 1999

ORDER

MONHEGAN PLANTATION POWER DISTRICT
Petition for Authority to Serve

Docket No. 98-536

WILLARD J. BOYNTON
Request for Commission Investigation
of Central Monhegan Power

Docket No. 98-583

I. SUMMARY

In this Order, we establish the terms and conditions that will govern the distribution of electricity generated by the Monhegan Plantation Power District (District) over the system of Central Monhegan Power Company (Central).

II. BACKGROUND

On July 14, 1998, the District filed a Petition for Authority to Serve and a 10-person complaint, pursuant to 35-A M.R.S.A. § 1302, alleging that certain acts and practices of the currently operating utility, Central, were unsafe, inadequate and unreasonable. The Commission separately docketed these two matters.

The Commission held a hearing on the District's request for authority to serve on September 9, 1998. On September 18, 1998, the Hearing Examiner issued a Hearing Examiner's Report recommending that the Commission authorize the District to serve. Mr. Remick, sole-owner of Central, filed no exceptions to the report. The Commission issued its decision on October 7 granting the District the authority to serve. The Commission found that a need for a second utility exists because the service being provided by Central is inadequate to meet the needs of Monhegan residents. Order, Docket No. 98-536 at 5-7. The Order also found that a sufficient emergency existed to justify requiring Mr. Remick to transport electricity from any generation developed by the District over Central's distribution system. *Id.* at 9.

The Order urged the District and Mr. Remick to continue to negotiate a sale or lease of Central's assets for use by the District until the District develops its own distribution system. The Order directed Mr. Remick and the District to report on the status of negotiations by October 21, 1998 and if negotiations were unsuccessful, the Commission would establish a process for implementing the interconnection pursuant to 35-A M.R.S.A. § 3135.

The Commission received a report from the District on November 12, 1998, stating negotiations had been unsuccessful. The District requested that the Commission take immediate steps to allow the interconnection of the District's planned generation units with Central's transmission and distribution system.

The Commission held a hearing on December 16, 1998, to hear from the parties on how the interconnection should be made and what compensation is appropriate, given the interests of Mr. Remick, the District and all ratepayers. Witnesses for the District testified at the hearing, as did Mr. Remick. Mr. Williams, representing the Land Use Regulation Commission (LURC), testified on the status of the District's application for siting approval for the new generators. At the close of the hearing, the Commission asked Mr. Remick to provide information in support of his contention that the payment recommended by the District was inadequate. The Hearing Examiner directed Mr. Remick to file additional written comments by December 29, 1998, and allowed the District to respond to those comments by January 5, 1999. Mr. Remick filed no additional information by that date.

On January 8, 1999, the Hearing Examiner issued a procedural order stating that Mr. Remick had filed no additional comments and that the record was closed. The Examiner explained she would issue an Examiner's Report by January 13, 1999 with exceptions due on January 21, 1999.

On January 12, Mr. Remick filed a letter containing additional historical information about Central's system. On January 21, 1999, Mr. Remick filed comments on the Examiner's Report. No other party filed comments or exceptions. The Commission deliberated this matter on January 25, 1999.

III. DISCUSSION

As described above, the Commission determined in its October 9, 1998 Order in Docket No. 98-536, based on the substantial evidence presented in that case, that an emergency existed on Monhegan to warrant the interconnection of the District's generating units into the transmission and distribution system of Central. During the hearing on December 16, 1998, Mr. Jito Coleman testified on behalf of the District on how that interconnection could be accomplished. Mr. Coleman represents the engineering firm hired by the District to evaluate the condition of Central's system, perform a site analysis, conduct modeling and power system engineering, and design a new electrical generation transmission and distribution system on Monhegan. Mr. Coleman described the District's plans for providing power on Monhegan.

In mid-January the District plans to remove the rented generator from its current location near the meadow to comply with LURC's requirements. A new, smaller rented generator will be installed at the site acquired for a permanent generator. This rented generator will be tied into Central's existing distribution system.¹ The District plans to install a new permanent generator by April or May 1999. The District will begin building a new distribution system possibly as early as summer 1999. This will take at least a year to complete. The District proposes that it take over metering and billing customers and that the District pay Central a set amount of the collected revenue for the District's use of Central's distribution system.

Mr. Coleman testified about the analysis he undertook to determine what the District should pay Mr. Remick for use of Central's distribution system. He recommended that \$.02 per kWh and 2% of the monthly flat charge should go to Central. The District would continue to serve under Central's existing rate structure; a \$10 monthly charge per meter and \$.50 per kWh for most customers.

Under Mr. Coleman's analysis (contained in District Exhibit 1 at 9 -14), the District will need approximately \$83,100 in year 1 to operate the District as planned. Central's revenues, under the existing rate schedule, were \$85,228 in 1997. In Mr. Coleman's opinion, Mr. Remick's system is fully depreciated and has no market value. He opined that the distribution system is functionally and economically obsolete and has minimal salvage value. Any salvage value is likely to be less than the cost of removing the system. According to Mr. Coleman, its only use is for the 1 - to 2 -year interim period until the District's new system is in place.

Using Mr. Remick's unverified 1997 PUC Annual Report figure of original plant value of \$95,280 and an assumed 30-year life for conductors, he found an annual value of \$1,583 ($95,280/30 = \$3,167 \times 50\% = \$1,583/\text{year}$). He added a return of 10% on remaining value of \$3,167 or \$316. This results in an annual cost for the distribution system of \$1,899. Assuming annual revenues of \$85,228, the annual distribution system cost would be .0223 of annual revenue. 2.23% of the \$.50 per kWh charge is \$.011 per kWh. Thus, he determined that payment of no more than \$.02 per kWh for the distribution rate would be just and reasonable. He suggested a contribution of 2% of the flat rate charges based upon the same economic analysis.

Mr. Remick testified that \$.02 a kWh is not enough to pay him back for the money he has put into the system since 1985. He claimed this was \$85,000 - \$90,000 for the distribution system

¹ LURC granted a permit for location of the temporary generation facility on January 15, 1999.

alone. He stated that even if the system is fully depreciated, he believed it still has value. He testified that the distribution system is worth \$50,000, based on his estimate of what it would cost to install a new system similar to the current system. He provided no support for that number.

At the end of the hearing, Commissioner Nugent asked that Mr. Remick more clearly state his concerns as to why he does not believe \$.02 per kWh is adequate and to provide a statement with the basis for why he believes it is worth more. The Hearing Examiner gave Mr. Remick until December 29, 1998 to respond to this oral data request. In his January 12 letter, filed after the close of the record, Mr. Remick claims that the fair market value for the distribution system is \$700 per customer, which is less than half its cost. He suggests \$20,000 down payment with the remainder paid over two years. In his letter of January 21, 1999, he claims he has never received any return on his investments. Mr. Remick filed no financial information to support his contentions that \$.02 a kWh was inadequate or that \$700 per customer or \$50,000 was the correct amount.

IV. DECISION

Based on the record before us, we find that the District's proposed payment to Mr. Remick of \$.02 per kWh and 2% of the \$10 monthly charge is reasonable, given the information that is available on the cost of Central's system. The District derived its figure from the data supplied by Mr. Remick, and based on that data and Mr. Remick's testimony,² the distribution system appears to be fully depreciated. No other information is available to the Commission or the District, despite the Commission's repeated efforts to obtain more detailed cost information from Mr. Remick. Therefore, we will direct Central to allow the District to transmit the electricity from the District's generators over Central's transmission and distribution system. The District will bill all customers (pursuant to a rate schedule filed by the District with the Commission) and remit to Mr. Remick \$.02 per kWh sold plus 2% of the flat monthly charge from each customer, as long as it uses any portion of Central's distribution system.

The District's calculation did not specifically include costs for operating and maintaining the distribution system. We require the District to assume the responsibility for and costs associated with operating and maintaining Central's distribution

²When asked if the depreciation expense filed in his personal income tax return could be used to determine the depreciation reserve, Mr. Remick replied "I would think so." Tr. D-58-59. The tax returns filed by Mr. Remick show the assets are fully depreciated.

system while it uses the system. The District will be permitted to install meters in locations that are not presently metered.

If the District intends to use any of Central's meters following completion of its own distribution system, it must separately negotiate their purchase with Mr. Remick. Likewise, the District should negotiate the purchase of any other asset of Mr. Remick's that the District wishes to use. The price we set here today only covers the costs of using Mr. Remick's distribution system until the District completes its own system. The District should advise the Commission if it determines that its new distribution system will be in place later than December 31, 2000.

Given this outcome, we will close Docket No. 98-583 pursuant to 35-A M.R.S.A. § 1302(2), as the cause of the complaint has now been removed. We also close Docket No. 98-536.

Dated at Augusta, Maine this 26th day of January, 1999.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320 (1)-(4) and the Maine Rules of Civil Procedure, Rule 73 et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320 (5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.